

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----x

In the Matter

of

Case No.
00 B 41065

RANDALL'S ISLAND FAMILY GOLF CENTERS,
INC., et al.,

Debtor.

-----x

May 4, 2000

United States Custom House
One Bowling Green
New York, New York 10004

Hearing Re: First Day Orders Cash Collateral Approval
of DIP Loan.

B E F O R E:

HON. STUART M. BERNSTEIN,

Bankruptcy Judge.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2

3 A P P E A R A N C E S :

4

5 FRIED, FRANK, HARRIS, SHRIVER & JACOBSON,
6 ESQS.

7 Attorneys for Debtors

8 One New York Plaza

9 New York, New York 10004

10

11 BY: IRA S. SACKS, ESQ., of Counsel

12 -and-

13 BY: BRAD SCHELER, ESQ., of Counsel

14 -and-

15 BY: LAWRENCE A. FIRST, ESQ., of Counsel

16

17

18 MORGAN, LEWIS & BOCKIUS, LLP

19 Attorneys for Chase Manhattan Bank

20 101 Park Avenue

21 New York, New York 10178

22

23 BY: RICHARD S. TODER, ESQ., of Counsel

24 -and-

25 BY: SCOTT TALMADGE, ESQ., of Counsel

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2

3 A P P E A R A N C E S (Continued) :

4

5

6 WONG FLEMING, ESQS.

7 Attorneys for China Trust Bank and

8 China Trust Comercial Bank

9 230 South Broad Street, Suite 601

10 Philadelphia, Pennsylvania 19102

11

12 BY: DANIEL C. FLEMING, ESQ., of Counsel

13

14

15

16 WONG FLEMING, ESQS.

17 Attorneys for China Trust Bank and

18 China Trust Comercial Bank

19 2035 Lincoln Highway, Suite 1050

20 P.O. Box 985

21 Edison, New Jersey 08818-0985

22

23 BY: ANDREW J. BAYNE, ESQ., of Counsel

24

25

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2

3 A P P E A R A N C E S (Continued) :

4

5

6 SIDLEY & AUSTIN, ESQS.

7 Attorneys for CIBC

8 675 Third Avenue

9 New York, New York 10022

10

11 BY: LEE STEIN ATTANASIO, ESQ., of Counsel

12

13

14

15 WINICK & RICH, P.C.

16 Attorneys for Magten (DIP Lenders)

17 919 Third Avenue

18 New York, New York 10022

19

20 BY: JEFFREY N. RICH, ESQ., of Counsel

21 -and-

22 BY: LAURIE R. BINDER, ESQ., of Counsel

23

24

25

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2

3 A P P E A R A N C E S (Continued) :

4

5 CAROLYN S. SCHWARTZ

6 United States Trustee

7 33 Whitehall Street

8 New York, New York 10004

9

10 BY: BRIAN MASUMOTO, ESQ., of Counsel

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

DOYLE REPORTING, INC. - 212-364-9516

2

3 P R O C E E D I N G S

4

5 MR. SACKS: I think it probably makes
6 sense to take care of the two remaining First Day
7 Orders on DIP and cash collateral before we turn to
8 the year-end DIP and cash collateral.

9 THE COURT: All right.

10 MR. SACKS: The ordinary course
11 professionals. The U.S. Trustee's office has raised
12 an issue with respect to the accountants on the list
13 and we're prepared to delete the accountants and make
14 an application, if appropriate, under 327(a) rather
15 than 327(e).

16 THE COURT: You have a couple of
17 accountants.

18 MR. SACKS: The first two.

19 THE COURT: You're crossing them off
20 the list?

21 MR. SACKS: Yes. Other than that, I
22 just wait to hear the other objections and respond to
23 them.

24 THE COURT: Mr. Masumoto.

25 MR. MASUMOTO: Your Honor, with the

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 accountants being removed, I think our office was
3 concerned about certain clarification. We were
4 concerned that, again, some of the -- I think some of
5 the professionals were Canadian professionals, so we
6 wanted to make sure -- the representation made to our
7 office is although they're Canadian, they will be
8 performing services for the Debtor.

9 The services they may be performing for
10 the Canadian entities will not be paid by the estate.
11 I also want identification as to the various local
12 counsel, which Debtor they're working for.

13 MR. SACKS: With respect to the
14 Canadian issue, I can make that representation. With
15 respect to the specific counsel and which entity they
16 work for, I have to check back with my client on
17 that.

18 THE COURT: Why does the Debtor need
19 Canadian counsel?

20 MR. SACKS: The Debtor has Canadian
21 subsidiaries and from time to time in connection with
22 the Canadian subsidiaries, Canadian counsel will have
23 to be retained for issues about owning something in
24 Canada.

25 THE COURT: Are they Debtors? If

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 they're doing work for non-Debtor subsidiaries, why
3 do they have to be retained?

4 MR. SACKS: The example with respect to
5 KPMG, it's my understanding that work was done for
6 the Debtor in connection with the potential sale of
7 something in Canada; but it was the Debtor that was
8 going to be selling something in Canada. That was
9 work I don't know that's going to go forward in the
10 future.

11 THE COURT: Does the Debtor own any
12 assets in Canada, other than the stock in the
13 subsidiary?

14 MR. SACKS: No.

15 THE COURT: Why don't we wait to see
16 the application.

17 MR. MASUMOTO: Fine, Your Honor.
18 Another concern was with respect to the -- normally
19 we have a sort of form affidavit of disinterestedness
20 indicating just sort of any sort of contacts, and so
21 forth, that apply to the professionals and we did
22 want to see at least some statement regarding their
23 connections. Furthermore --

24 THE COURT: Disinterestedness or lack
25 of adverse interest?

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 MR. MASUMOTO: Under 327(e) lack of
3 adverse interest. Also, as to subsequent ordinary
4 course professionals, that they at least be prepared
5 to fill out that same statement and file it with the
6 Court before they're authorized.

7 MR. SACKS: We have no problem with
8 that, Judge.

9 THE COURT: How do you want to proceed
10 with that? Do you want to put this on hold until you
11 submit the Affidavits?

12 MR. SACKS: One of the things I
13 discussed with Mr. Masumoto this morning was
14 submitting the -- having the Order signed and
15 submitting the Affidavits and if there is an issue,
16 we'll bring it back up.

17 THE COURT: Do you have any objection
18 to that procedure?

19 MR. MASUMOTO: No, Your Honor. I think
20 that will be fine.

21 THE COURT: Do you have a form of an
22 order to sign?

23 I'll save you an extra trip up here.
24 Why don't we do the other Order.

25 MR. SACKS: I don't know whether there

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 was any objection from anybody else.

3 THE COURT: As to the business forms.

4 MR. SACKS: Ordinary course
5 professionals.

6 THE COURT: Yes, sir.

7 MR. TODER: Richard Toder, Morgan,
8 Lewis & Bockius for Chase. I'm here with Scott
9 Talmadge of the same office. With regard to the bank
10 accounts, centralized cash management, is that where
11 we are this morning? I apologize.

12 THE COURT: You have to speak up it's
13 hard to hear.

14 MR. TODER: I wanted to make sure I was
15 on the right motion at this point, Your Honor. I was
16 having trouble also.

17 THE COURT: Let me ask if there is
18 anybody who wants to be heard with respect to the
19 ordinary course professionals motion? Let the record
20 reflect there is no response. Let's move on to the
21 other one.

22 MR. SACKS: On the continuing use of
23 centralized cash management system and bank accounts,
24 I understand there are specific concerns that parties
25 have raised. We need to be able to continue to use

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 these accounts. I think we can deal right now with
3 the issues. I know Mr. Masumoto has this and Mr.
4 Toder.

5 MR. MASUMOTO: Your Honor, we had asked
6 the Debtor to confirm for us that the accounts will
7 be either under \$100,000 protected by FDIC insurance
8 or they were properly collateralized bank accounts to
9 qualify under Section 345 of the Code.

10 My understanding is that that is either
11 applicable to insurance or that they will comply with
12 the collateralization requirements.

13 MR. SACKS: That is correct, Your
14 Honor.

15 MR. MASUMOTO: Your Honor, the other
16 issue is that, as indicated in the motion, the
17 Debtors indicate they have approximately 282 bank
18 accounts. Normally, as Your Honor knows, our office
19 generally prefers that Debtors stamp "DIP" on their
20 checks.

21 I have been advised and I've asked the
22 Debtors to represent that that's impractical under
23 their system, and based upon that representation, I
24 think we'll accept --

25 THE COURT: I thought all the checks

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 were issued by only one bank account.

3 MR. SACKS: There are 282 bank
4 accounts, Judge. Each of the --

5 THE COURT: Doesn't sound like a
6 unified cash management system.

7 MR. SACKS: It flows up, back out and
8 back in.

9 MR. MASUMOTO: The other concern I had,
10 I thought there had been conversations and
11 suggestions that there will be certain assets that
12 will be liquidated and that perhaps certain Debtors
13 will be liquidated.

14 My inquiry was as to whether or not,
15 specifically with respect to the entities that were
16 likely to be liquidated, that at least with respect
17 to those they stamp "DIP"; my concern being that
18 those are the ones most likely to be vulnerable in a
19 case of administrative insolvency, and so forth, and,
20 therefore, I would have a particular concern.

21 My understanding is, obviously, they're
22 not liquidating all the companies. If they were a
23 small enough number, they could make an effort in
24 those cases to stamp "DIP." Again, I'll defer to
25 counsel.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 MR. SACKS: Your Honor, I think that
3 the right time to consider doing that, which we're
4 happy to consider doing is when we get to a point
5 where we have an auction motion or sale of property
6 motion on, which would result in one of the Debtors
7 ceasing to go from operating to non-operating --

8 THE COURT: Is this issue about
9 stamping only until they run out of the existing
10 business forms and then "DIP" is going to be printed
11 on the new ones?

12 MR. MASUMOTO: Yes, Your Honor. My
13 understanding is any new checks will be ordered as
14 DIP checks.

15 THE COURT: The problem is they don't
16 know who is going to be liquidated now.

17 MR. MASUMOTO: That's the
18 representation made. I understand that. I wish to
19 articulate for the Court my concern because we've had
20 a number of cases that I understand were being
21 administratively insolvent.

22 I think in those cases the
23 administrative creditors certainly should have a
24 right to be well aware of who they're dealing with.

25 THE COURT: I guess if they've gotten

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 checks, it's not a problem.

3 MR. MASUMOTO: Past checks.

4 THE COURT: How do you propose to
5 resolve this?

6 MR. SACKS: Your Honor, I think --

7 THE COURT: It's potentially true with
8 every vendor or every creditor who deals with this
9 Debtor.

10 MR. MASUMOTO: I understand. I thought
11 the remedy suggested by counsel is acceptable to the
12 extent that they've retained Keen. To the extent
13 they've identified a Debtor that's likely to be
14 liquidated, that an effort be made in those cases for
15 those particular Debtors.

16 MR. SACKS: I think in connection with
17 an approval Order, if we have an Order which is
18 offering for sale, and subject to the Court's
19 approval, all of the property of a particular Debtor,
20 so that Debtor will go from operating to
21 non-operating in connection with that Order to the
22 extent that the checks haven't run out, we can start
23 stamping them.

24 THE COURT: He's saying once you start
25 marketing a property, say through Keen, that's the

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 point at which creditors should know that company is
3 going to go out of business.

4 MR. SACKS: It may not. Depends on
5 whether the property is sold.

6 THE COURT: In the ordinary course you
7 would put "DIP" on the checks whether or not it was
8 being sold.

9 MR. SACKS: Understood. I think the
10 notion of doing that even with respect to 34
11 companies is what we're talking about, many, many
12 accounts and very heavy administrative burden.

13 THE COURT: Why would it be less if you
14 did it once you decided to sell the company?

15 MR. SACKS: I think it's one at a time
16 and also further down the road. We don't know how
17 long it's going to be before these properties start
18 to get sold.

19 THE COURT: Does anybody else want to
20 be heard on this?

21 MR. TODER: On this motion or this
22 particular piece of the motion?

23 THE COURT: Let me hear the rest.
24 Maybe it makes sense to hear all the objections at
25 once.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 MR. MASUMOTO: One final housekeeping.
3 It's my understanding that the provision referring to
4 later filed affiliates will be eliminated.

5 THE COURT: Your turn.

6 MR. TODER: Thank you, Your Honor.
7 Generally, Your Honor, we have no problem with the
8 motion, with the relief being sought. I would call
9 to Your Honor's attention that on page 2 of the Order
10 proposed the last decretal paragraph on that page
11 refers to the transfer of monies between Debtors.

12 As Your Honor signed this morning a
13 joint administration for procedural purposes only,
14 and we have a concern that there should be added to
15 the Order, a provision that the Debtors will, in
16 fact, maintain books and records of transfers to and
17 from the respective Debtors or affiliates of the
18 Debtors.

19 THE COURT: I guess I thought that was
20 implicit in this. Obviously it's not authorizing
21 transfers of rights and property. You're just moving
22 money around and maintaining records so you know
23 which Debtors have claims against which other
24 Debtors.

25 MR. TODER: I'd feel more comfortable

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 were it added to the Order.

3 MR. SACKS: I have no problem agreeing
4 to that and we could write it into the Order.

5 THE COURT: Okay.

6 MR. TODER: May I go a step further,
7 Your Honor?

8 THE COURT: Sure.

9 MR. TODER: I think it's helpful. What
10 I would request is that on a monthly basis a schedule
11 be prepared which shows -- not just prepared, but
12 disseminated to parties in interest which shows, in
13 effect, what the pluses and minuses are so we have a
14 sense of where the assets are. This could become
15 important later on because different creditors are at
16 different levels.

17 THE COURT: Do you have any problems,
18 Mr. Sacks?

19 MR. SACKS: Not other than if it
20 becomes something we have to mail out to a million
21 people.

22 THE COURT: I'm not asking you to mail
23 it out to a million people. You can attach it to the
24 monthly operating report and you have one creditor
25 here making a specific request for that. I believe

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 he has a lien.

3 MR. SACKS: I have no problem if it
4 doesn't become an administrative burden.

5 THE COURT: We'll deal with it if it
6 becomes an administrative burden.

7 MR. TODER: Lastly, with respect to
8 this motion. Let me back up. Chase Manhattan Bank
9 has been the concentration bank and is involved with
10 a fairly large number of the accounts. I have no
11 idea what the intent of the Debtor is with respect to
12 maintaining that going forward.

13 To that extent I wish to call to the
14 Court's attention the fact that ordinary customary
15 fees, charges and expenses will indeed be applicable
16 and there is nothing in the Order that refers to
17 authorization to pay that, I think it's ordinary
18 course. I just want the Court to be aware of it.

19 THE COURT: Sounds like ordinary course
20 to me.

21 MR. TODER: I have no trouble --

22 MR. SACKS: We're paying the fees and
23 we'll continue.

24 MR. TODER: Even if they haven't --

25 THE COURT: I think you have the

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 leverage on that one.

3 All right, now with respect to the
4 issue regarding the standing, I'm going to require
5 you to stamp the checks anytime Keen or somebody else
6 starts marketing a subsidiary because at that point I
7 think the creditors dealing with the subsidiary ought
8 to know what destined for.

9 MR. FLEMING: Can I address the Court?

10 THE COURT: Who do you represent?

11 MR. FLEMING: China Trust Bank and
12 China Trust Commercial Bank. My ability to address
13 any of the points, any of the motions filed today, is
14 going to be very difficult because of the lack of
15 adequate notice we received. I'm here because --

16 THE COURT: I hope you have no
17 objection to the Order of joint administration.

18 MR. FLEMING: No, not on that, but on
19 some of the more critical issues. I'm only here
20 because we heard from the principal that there was
21 going to be a filing today. I didn't receive any
22 information from the attorneys for the Debtors. My
23 client didn't.

24 I only got some of the documents that
25 are based on this motion by fax about a half hour

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 before I left my office in Philadelphia to come up
3 here for the motion, so we were able to confirm the
4 bankruptcy filing thanks to a news wire.

5 So, my ability to really address much
6 of what's going to be ruled on today is going to be
7 substantially compromised due to the poor notice that
8 I received and poor notice my client received about
9 what's going on here today.

10 THE COURT: This is just an emergency
11 hearing. There will be a final hearing in two or
12 three weeks and you'll have an opportunity to address
13 those issues then. This is in the nature of a
14 hearing for TRO.

15 MR. FLEMING: I want to make sure you
16 understand, Judge, because I may not be addressing
17 anything specifically doesn't mean my clients don't
18 have some kind of objection they otherwise would have
19 raised today.

20 THE COURT: I understand. Did you have
21 the papers when you came up on the train?

22 MR. FLEMING: I have portions I read as
23 I was coming up on the train.

24 THE COURT: Okay. All right.

25 MR. SACKS: Do you want us to revise

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 the Order?

3 THE COURT: You can revise it and
4 deliver it tomorrow, if that makes more sense, but
5 why don't you do it on notice or at least run it by
6 the U.S. Trustee.

7 MR. TODER: We'll actually mark it up.
8 I don't think it's a big deal.

9 THE COURT: Either one. Frankly, it's
10 not going to be entered tonight.

11 MR. SACKS: I can fax a copy to Mr.
12 Toder and Mr. Masumoto.

13 One other procedural issue.

14 THE COURT: Why don't you give me your
15 first Order, the ordinary course.

16 MR. SACKS: As I mentioned this
17 morning, we did not have the Zolfo, Cooper retention
18 this morning. We have it now. I know that with the
19 other professionals and it hasn't been served on
20 anybody and I understand that --

21 THE COURT: What are they being
22 retained for?

23 MR. SACKS: They are financial advisors
24 to the Debtors. They have been financial advisors to
25 the Debtors prepetition. Given what happened this

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 morning, which was thirty days subject to further
3 application, I'd like not to have to.

4 THE COURT: What's the monthly amount
5 you're going to pay them?

6 MR. SACKS: It's an hourly rate, Judge.

7 THE COURT: An hourly rate. No fixed
8 amount per month?

9 MR. SACKS: Just checking. It's their
10 regular hourly rate. Zolfo, Cooper estimates the
11 first month could be \$150,000.

12 THE COURT: Has the U.S. Trustee seen
13 the application?

14 MR. MASUMOTO: Not yet, Your Honor.

15 MR. SACKS: We just got it, Your Honor.

16 THE COURT: Why don't we -- I have to
17 give them an opportunity to look at it. It's a lot
18 of money and I suspect it's got some sort of
19 indemnification provision in it?

20 MR. SACKS: I know as of this morning
21 we had taken the other one out.

22 THE COURT: Has Chase seen it?

23 MR. SACKS: Your Honor, no one has seen
24 it. As a matter of fact, I've barely seen it.

25 THE COURT: You're in a perfect

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 position to argue for me to enter it. Let's put that
3 one aside. It can be dealt with tomorrow or next
4 week or something like that. The parties obviously
5 have to see it. If you want to settle it on notice,
6 I guess, or want to send it out on thirty days'
7 notice, you can do that.

8 MR. SACKS: I'd like not to be in a
9 position to nunc pro tunc it.

10 THE COURT: I'm not prepared to sign
11 it. Nobody has seen it.

12 MR. SACKS: I understand. Perhaps we
13 could send it down and everyone can look at it.

14 THE COURT: If you send it down with a
15 letter that says they didn't object and U.S. Trustee
16 doesn't object, and I don't know who else would like
17 to object, that's fine.

18 MR. SACKS: Thank you, Your Honor.

19 THE COURT: Okay.

20 MR. SACKS: The central purpose for
21 this afternoon's hearing, Your Honor, is the motion
22 to approve the financial package, financial package
23 which includes the use of cash collateral on an
24 emergency basis for some period of time, say three
25 weeks, so that there is -- but whatever that period

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 of time is --

3 THE COURT: This is just an emergency
4 hearing.

5 MR. SACKS: Yes. Interim emergency
6 hearing subject to a final hearing. The final
7 hearing I think needs to be after a Creditors
8 Committee is appointed, which I understand will be
9 about a week from now. Then as quickly thereafter as
10 the parties want, but in terms of the ability of this
11 Debtor to survive, that two or three-week period, it
12 needs the use of cash collateral.

13 THE COURT: How much cash collateral
14 are you going to need in the next three weeks?

15 MR. SACKS: The projections.

16 THE COURT: I haven't seen any
17 projections.

18 MR. SACKS: The projections for the
19 next three weeks, which show a need for a little bit
20 north of \$7.1 million in ordinary expenses.

21 THE COURT: 7 point what?

22 MR. SACKS: 7.1.

23 MR. TODER: Over what?

24 MR. SACKS: Three weeks.

25 THE COURT: By then there should be a

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 committee and counsel.

3 MR. TODER: Your Honor, when the
4 appropriate time comes, I'm going to ask for certain
5 relief which I think will address many of the
6 concerns of the Debtor, but not all, but it's sort of
7 before we get too far into the interstices of the
8 DIP --

9 THE COURT: Can you spell it?

10 MR. TODER: At some point I would like
11 to address that, Your Honor.

12 THE COURT: I just want to find out
13 what it would be.

14 MR. SACKS: I can hand up a copy.

15 THE COURT: Do you have copies for --

16 MR. SACKS: I do. I think I actually
17 already sent this over to Morgan, Lewis. Can I mark
18 this as Debtors' Exhibit 1, Your Honor?

19 THE COURT: Okay. Thanks.

20 (The above described document was
21 marked Debtors' Exhibit 1 for identification,
22 as of this date.)

23 MR. SACKS: This basically shows about
24 \$8.2 million in receipts.

25 THE COURT: Do the dates indicate the

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 week ending?

3 MR. SACKS: The week ending, Your
4 Honor.

5 THE COURT: Have you basically spent
6 all the money that you were going to spend by the end
7 of May 5th, by the end of that week?

8 MR. SACKS: In looking at this list, I
9 believe that the closing costs referred to as
10 \$500,000 are the closing costs with respect to the
11 interim approval of the DIP financing. That has not
12 been spent.

13 THE COURT: Okay.

14 MR. SACKS: Basically, this company
15 shuts down without the use of that cash. The cash is
16 for keeping the business going. It's in everybody's
17 interest for the business to keep going.

18 THE COURT: What do you propose to give
19 the prepetition lender?

20 MR. SACKS: There's two different
21 things being given. With respect to Chase, we
22 believe that Chase is not fully secured. We have
23 offered in the proposed Order a replacement lien to
24 Chase as adequate protection to the extent that they
25 have valid perfected lien, the same type of property

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 as to which they have currently valid perfected first
3 liens. With respect to the other mortgagors --

4 THE COURT: When you say Chase is not
5 secured, do you mean that the cash is not their cash
6 collateral or that they are not validly secured in
7 other things?

8 MR. SACKS: Three things. There are
9 three aspects of that, Judge. The first is with
10 respect to the properties that have been given to
11 Chase as their security, much of which are leaseholds
12 or --

13 THE COURT: That's not going to be
14 liquidated in the next three weeks.

15 MR. SACKS: I understand that. This
16 really goes to -- in terms of even the level of their
17 security, the question is whether they're fully
18 secured. Are they entitled to something more? At
19 least in terms of the original discussions --

20 THE COURT: You just told me they are
21 undersecured.

22 MR. SACKS: Yes.

23 THE COURT: Do they have a security
24 interest in the accounts receivable, the inventory,
25 the things you'll be turning into cash in the next

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 few weeks?

3 MR. SACKS: They do, but we believe
4 under existing law that with respect to the proceeds
5 of much of what our cash is, that they don't have a
6 security interest because it is in the nature of
7 rents and not -- it's -- there are golf balls. The
8 golf balls are being hit by somebody and somebody
9 pays for hitting them, that's not being converted.
10 It's services with respect to that.

11 THE COURT: The way you usually deal
12 with that is they get a postpetition lien with
13 respect to what they had a prepetition lien --

14 MR. SACKS: That is what we offered.

15 THE COURT: They don't like that.

16 MR. TODER: That is we would like
17 something better. I will wait until counsel's done.

18 MR. SACKS: With respect to the other
19 prepetition lenders with security, what I call
20 mortgagors, including China Trust, we believe they
21 are fully secured and we have offered them current
22 payment of interest at the contract non-default rate.

23 THE COURT: Whose cash collateral are
24 you using? I thought Chase, that has the lien in the
25 inventory, the accounts receivable, things you

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 normally consider as generating the cash collateral.
3 Does China Trust have any lien in that type --

4 MR. SACKS: China Trust has mortgages
5 and with respect to some properties of some of these
6 entities, we're going to be attempting to sell the
7 properties.

8 THE COURT: That's not really a cash
9 collateral problem, though. I mean, I understand it
10 may be arguably cash collateral once you do it, but
11 there is going to be an application to sell
12 properties and we deal with the rights of parties at
13 that time.

14 MR. SACKS: We're surely going to
15 continue to use the properties subject to their
16 mortgage.

17 THE COURT: You can do that. That's
18 not cash collateral. I suppose they can make an
19 application for adequate protection. That's not what
20 we are here for today.

21 MR. FLEMING: China Trust's position is
22 they have more than mortgages. They have financing
23 statements, as well, from the entities, the
24 subsidiary entities that they lent to and they are
25 perfected.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 THE COURT: We're not arguing about
3 that. We're arguing about whether they are going to
4 sell any for collateral or convert any of the
5 collateral to cash within the next three weeks and it
6 doesn't sound like they are.

7 MR. SACKS: I think that's unlikely.

8 MR. TODER: Your Honor, if I may.

9 THE COURT: You have to keep your voice
10 up. I know it's a strain.

11 MR. TODER: I will. First of all, in
12 answer to Your Honor's question, yes, Chase has the
13 traditional security interest which covers anything
14 and everything you could ever come across in the
15 traditional security agreement collateral and I could
16 go through contract rights, general intangibles,
17 inventory, equipment, you name it, it's there.

18 There is a separate issue over and
19 above the usual, which is traditional cash collateral
20 which deals with whether or not where you have a
21 mortgage and you have appurtenant to that mortgage
22 rents, profits, et cetera, whether or not -- what was
23 the example given of the golf ball being hit from the
24 property which exists, whether or not that would
25 qualify as being in the nature of rents, profits and

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 such.

3 THE COURT: Renting golf balls?

4 MR. TODER: You're renting the use of

5 the golf balls which leads to a cash component when

6 someone hands over \$4 to get the bucket of balls.

7 It's an issue and I would suggest it shouldn't be

8 resolved this afternoon.

9 THE COURT: I can't say I've ever heard

10 it put that way.

11 MR. TODER: That is why they hired me,

12 Your Honor.

13 THE COURT: I'm not sure that's why

14 552(b)(2) was enacted.

15 MR. TODER: That has various provisions

16 which protect in the appropriate case.

17 THE COURT: You have a mortgage on the

18 golf balls?

19 MR. TODER: We have a mortgage on the

20 real estate and that which comes with it. That has

21 to be looked at on a mortgage by mortgage case.

22 There are also concession agreements of that sort

23 which we would suggest fall within the ambit of

24 contract rights, general intangibles.

25 If they do, Your Honor, as we'll come

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 to later, you'll see that this is, again, an area
3 where there is a significant disagreement with the
4 parties.

5 What I was addressing before, Your
6 Honor, is that and let me state this now, we're not
7 opposed to the use of cash collateral. We agree with
8 the Debtor that it makes sense. It has to be done.

9 Fortunately, the projections
10 demonstrate that there is no need for the use of the
11 DIP financing on an emergency basis today. Counsel
12 will argue as to the emergency and the exigent
13 circumstances, but on the dollars and cents of it,
14 there is no such need and what I was suggesting, Your
15 Honor, was that with regard to the replacement lien,
16 it ought to be a replacement lien on all of the
17 collateral. There is no harm. It's only to the
18 extent that there is diminution in our collateral.
19 We can't determine that now.

20 It's not right to give -- first of all,
21 we have a lien, we would argue, on virtually
22 everything. To the extent we didn't, there is no
23 reason we shouldn't have it on everything and we can
24 protect against a problem that could come up as we
25 will argue to Your Honor later.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 What you should do today on the basis
3 of three hours' notice, in effect, is to grant the
4 use of cash collateral until we can schedule an
5 appropriate interim hearing with respect to the DIP
6 loan because they don't need the cash.

7 Just give us a real replacement lien at
8 this point and a lot of things will happen between
9 this afternoon and this evening and a week, not bad
10 things.

11 THE COURT: If they give you a
12 replacement lien, doesn't that undercut their ability
13 to get DIP financing?

14 MR. TODER: Good point, and the answer
15 is no because what we'll do is add a proviso that
16 says if Your Honor grants the DIP loan agreement,
17 then, in point of fact, we will automatically go
18 immediately junior to the DIP lien.

19 THE COURT: To the extent you didn't
20 have a prepetition --

21 MR. TODER: Exactly.

22 MR. SACKS: That solves one of three
23 problems.

24 THE COURT: That doesn't sound like a
25 problem.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 MR. SACKS: That solves one of three
3 problems. The second problem is that it does not
4 seem to us that Chase's position or the group that
5 Chase is agent for ought to be advanced in this
6 interim period. If they have a perfected lien, we're
7 happy to give them a replacement lien in that regard
8 for the use of cash collateral. If they don't, they
9 shouldn't get one as a result of the use of cash
10 collateral.

11 THE COURT: I don't think anybody is
12 disputing that. That's the way it generally works.

13 In other words, simplest example, if it
14 turns out they never filed the UCC for the inventory
15 and accounts receivable and you use it, it's not
16 their cash collateral and they're not entitled to any
17 replacement liens to the extent you didn't use their
18 cash collateral.

19 MR. TODER: Reluctantly, Your Honor,
20 we'll agree to that.

21 THE COURT: That's problem number two.

22 MR. SACKS: The last problem is with
23 respect to the need for DIP financing. We do not
24 expect to use the DIP financing in the next week or
25 two, on the one hand.

DOYLE REPORTING, INC. - 212-364-9516

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 the -- what will be with you two or three weeks
3 number one, and number two, if something bad happens,
4 we ought to have what is basically just a \$4 million
5 line in the interim, that if we don't draw on doesn't
6 cost us anything very much other than the \$500,000
7 commitment fee to protect this estate from something
8 seriously bad happening in the intervening time
9 period. I mean other than that, it sounds like we're
10 almost in agreement.

11 MR. TODER: Would Your Honor allow
12 argument on that point?

13 THE COURT: Sure.

14 MR. TODER: I guess, to review things
15 in the normal situation, in the ordinary course,
16 eight out of ten, you have a situation where in
17 addition to cash collateral, you absolutely need
18 dollars and cents so they normally don't have the
19 luxury --

20 THE COURT: He's talking about, if
21 nothing else, the appearance of financing.

22 MR. TODER: I understand and I
23 recognize that. That's why I said in eight out of
24 ten where we do this, we have a situation where there
25 is a demonstrable need of cash or L/Cs being issued,

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 et cetera. We don't have that here and that's
3 important to note.

4 Secondly, I'm sort of old fashioned,
5 Your Honor, and one of the things about this district
6 as distinguished from some other districts is we
7 don't routinely on the basis of a few hours' notice,
8 do DIP loans. We normally require there to be some
9 real notice.

10 In point of fact, we did get a draft of
11 the Order at 4:30 yesterday early evening and we did
12 start to get the DIP loan agreement showing up later
13 in the evening, but by the time I left at 9:30 in the
14 evening, we didn't have everything. We also had to
15 discuss things with our bank group today as to where
16 it's going. There has been no full time to go
17 through this.

18 What I would suggest to you, if this
19 argument is to hold forth in every single situation
20 in which there might be a DIP which would always have
21 the emergency, what will we do with vendors,
22 supplies, et cetera. Not really.

23 All that is necessary in the real world
24 is that you put forth a press release that says
25 "Congratulations, want to let you know we have been

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 able to use cash collateral. We're going to be
3 perfect. And indeed the Court has scheduled an
4 interim hearing on the DIP request. By the way, that
5 will be in a week, not in fifteen days or such."

6 What that does is gives rise to a lot
7 of things, not the least of which is the savings of
8 \$500,000 that may or may not be necessary based on
9 where we are and I'm not suggesting that's ultimately
10 where you come out.

11 One of the things you'll see in the
12 papers -- one of the things that you'll see in the
13 papers, which I know Your Honor has not had a chance
14 to review thoroughly in the motion, is that in point
15 of fact there is an open solicitation or at least
16 invitation to Chase --

17 THE COURT: I've seen that.

18 MR. TODER: I apologize -- to come up
19 with a comparable competitive DIP. One of the things
20 that Chase and the other lenders --

21 THE COURT: How long would it take you
22 to come up with something?

23 MR. TODER: A few days.

24 THE COURT: How long?

25 MR. TODER: Assuming it's in the

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 affirmative, which I suspect it will be, I think
3 we'll come up with something by Tuesday, not a big
4 deal. If you pushed me, I'll try to do it before,
5 but as a practical matter, it might be a little bit
6 difficult.

7 Your Honor, what I'm suggesting here is
8 we do not need a rush to judgment under the facts of
9 this case. It just can't be demonstrated and 401(c),
10 I believe, irreparable means exactly that and the
11 normal examples of that do not include this.

12 MR. SACKS: Your Honor, we had
13 discussions with Chase going back three weeks ago or
14 so in an attempt to arrange financing. It didn't
15 work out. We went to somebody else. We spent a lot
16 of time arranging financing. This company needs the
17 financing.

18 A week -- the cash flow projections
19 that Your Honor has shows two weeks from now cash
20 balance will be \$17,000. If we have a lot of rain
21 between now and then, we might be negative or we
22 might have to push some expenses around, but it's not
23 just a matter of cosmetics.

24 THE COURT: I guess, you know, either
25 we can adjourn the DIP financing with an

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 understanding that -- we can adjourn the DIP
3 financing for a few days with an understanding you
4 can use cash collateral as we discussed, or you can
5 go forward today and prove you'll be irreparably
6 harmed under the circumstances if you don't have a
7 \$15 million line of credit today because that's what
8 you'll have to prove.

9 MR. SACKS: It's \$4 million in the
10 interim period.

11 THE COURT: That's what you'll have to
12 prove.

13 MR. SACKS: Can we take a few minutes,
14 Judge?

15 THE COURT: Sure. Just tell the
16 reporter when you're ready.

17 (Whereupon, at this point in the
18 proceedings there was a recess, after which
19 the proceedings continued as follows:)

20 MR. SACKS: Your Honor, what we'd like
21 to do, with the Court's permission, and I've spoken
22 to Mr. Toder and Mr. Masumoto about this, is put Mr.
23 Chang, the Chief Executive of the Debtor, on briefly
24 to explain why he believes that he needs the DIP
25 approved today and what will happen if the DIP

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 doesn't get approved until sometime next week.

3 I don't think that will take very long
4 and then Mr. Toder or anybody else, Mr. Masumoto and
5 Your Honor can ask Mr. Chang whatever questions and
6 then we can reflect on what he said or not said.

7 THE COURT: Okay. Go ahead call your
8 witness.

9 MR. SACKS: Dominick Chang.

10

11 D O M I N I C K C H A N G, called as a
12 witness, having been first duly sworn by
13 the Notary Public, was examined and
14 testified as follows:

15

16 DIRECT EXAMINATION BY MR. SACKS:

17

18 Q Mr. Chang, what's your position with
19 the Debtors?

20 A I'm the chairman and CEO of the
21 company.

22 Q To your understanding, under your
23 agreement with Magten and Pacholder, the current
24 proposed DIP lender, when was the first \$250,000 fee
25 due?

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 A It was yesterday.

3 Q Was it paid yesterday?

4 A No.

5 Q Do you believe, to your understanding,
6 as someone involved in the business, that there is a
7 risk that Magten and Pacholder would walk from the
8 deal if they weren't paid their \$250,000 and the
9 other \$250,000 on approval?

10 A Clearly. As a matter of fact, we
11 thought they were going to be short term time frame,
12 we only have a day or so to pay.

13 Q I can't hear you, so I know they can't.

14 A Based on my understanding of the term
15 sheet, we had one day to accept this transaction and
16 pay the commitment fee \$250,000.

17 Q Was there a period of time, prior to
18 the time you negotiated the proposed DIP financing,
19 where you had discussions, where you and others on
20 behalf of the companies had discussions with Chase
21 concerning potential DIP financing?

22 A Yes.

23 Q Were there competitive alternatives on
24 the table at the time you were negotiating with
25 Chase?

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 MR. TODER: Excuse me, Your Honor. I
3 hesitate to rise, but I thought the purpose of this
4 was to reflect on whether there was an irreparable
5 harm between today and 4,5 days from today. I don't
6 believe the negotiations with Chase have anything to
7 do with that.

8 THE COURT: I guess you're arguing that
9 he's going to lose his existing financing and their
10 willingness to come up to the plate.

11 MR. TODER: I accept that and didn't
12 object to the portion that dealt with his financing,
13 but when he goes on to the history of Chase, it seems
14 it's different. The documents speak for themselves
15 with regard to the other points.

16 THE COURT: What are you trying to
17 prove?

18 MR. SACKS: I'm trying to prove what
19 you said, Your Honor, that in negotiating with Chase
20 at a time when there is no other competitive
21 alternatives, the proposals we get from Chase are
22 unacceptable for this business.

23 What we're concerned about and what I
24 believe Mr. Chang will testify to is that we are
25 concerned, that Magten and Pacholder will disappear

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 and the serious willingness for Chase and its group
3 to make a very competitive proposal will then
4 dissipate.

5 THE COURT: Right now the present offer
6 is the only offer on the table. That's what I'm
7 considering.

8 MR. TODER: I accept that.

9 THE COURT: I haven't heard Chase come
10 up and make a counteroffer.

11 MR. SACKS: The issue is whether there
12 is a risk of irreparable harm in this financing not
13 being approved today, the risk of that if it's not a
14 approved today, since we haven't paid the \$250,000 as
15 required that Magten and Pacholder will walk.

16 We will be in a position on Monday or
17 Tuesday that we have no alternatives on the table and
18 no guarantee what we get from Chase will be anything
19 remotely approaching acceptable.

20 THE COURT: I understand.

21 Q Mr. Chang, what was the nature of the
22 Chase proposal that was made back in the time period
23 before there was --

24 THE COURT: You don't have to go
25 through that because Chase hasn't made a proposal.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 MR. SACKS: They made one before.

3 THE COURT: Right now the only proposal
4 is the existing proposal. I understand that. I'm
5 not counting on Chase to come up with anything. I
6 mean, I can't gauge the likelihood that if there is
7 no financing, Chase is going to come up to the plate
8 and offer financing. They haven't done it and this
9 is the only potential loan you have right now.
10 You've convinced me this is the only one.

11 MR. SACKS: Okay.

12 Q At the time that you entered into
13 discussions with Magten and Pacholder about DIP
14 financing, why were you interested in getting the DIP
15 financing?

16 A For a couple of reasons, Your Honor.
17 Our business is very seasonal. It varies cash
18 flow-wise not only from quarter to quarter, month to
19 month, but sometimes week to week depending on
20 weather.

21 One of the reasons we want to use --
22 have the DIP financing are several-fold. One, for
23 emergency purposes, in the event it does occur.

24 Second, is in the event for dealing
25 with vendors for their -- our ability to get

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 products, our employees making sure they're confident
3 there is financing out there, their checks won't
4 bounce.

5 As a matter of fact, Your Honor, for
6 the cash flow that was introduced before on a weekly
7 basis, we have \$2.8 million in receipts and this
8 particular week, total expenses about \$3.5 million,
9 of which \$2 million is payroll. Tomorrow is a
10 payroll day, Your Honor. Out of the \$2.8 million
11 receipts, the banking group collectively has
12 collected about a million dollars out of our checking
13 account, today, this week.

14 THE COURT: How much cash do you have?
15 You have to make payroll tomorrow? How much is the
16 payroll?

17 THE WITNESS: Payable tomorrow is going
18 to be a million dollar hit. I'm not sure we have
19 enough cash.

20 THE COURT: How much money do you have
21 to make the payroll?

22 THE WITNESS: Around the country we
23 didn't sweep past couple of days because of --
24 because of the -- because we have not swept the
25 accounts yet and even the accounts we only attempt to

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 sweep, there is no money left in there because it was
3 taken away by the banks.

4 MR. SACKS: Let me see if I can
5 clarify this, Your Honor.

6 THE COURT: Okay.

7 Q Mr. Chang, in terms of the projections
8 we marked as Debtors' Exhibit 1, has the Debtor been
9 able to collect the \$2.8 million which were projected
10 for this week?

11 A No.

12 Q Why was that?

13 A Because it's not available in our
14 checking account around the country.

15 THE COURT: Where do you get the \$2.8
16 million from?

17 THE WITNESS: Your Honor, if I can
18 step up there.

19 THE COURT: Let me ask your lawyer.
20 I'm looking at the schedule and I see --

21 THE WITNESS: On the top.

22 THE COURT: \$3 million in total
23 operation. That's the receipts?

24 THE WITNESS: On top under receipts
25 week of May 5th is \$2.8 million.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 THE COURT: I see. That's what your
3 expected receipts are for this week?

4 THE WITNESS: Correct.

5 Q You said approximately a million
6 dollars was taken from the accounts of the operating
7 companies before the parent company could sweep the
8 accounts?

9 A Correct.

10 Q By whom was that taken?

11 A I believe it's between Bank of America,
12 which we have deposit relationship with about a third
13 of our locations and I believe about another third
14 which was Chase.

15 Q So you're down about a million dollars
16 from what you expected?

17 A Down about 1.8 or so expected.

18 Q \$1 million less than what you expected?

19 A That is correct.

20 THE WITNESS: Your Honor, around the
21 country we have 4,000 employees, and as you know
22 we're very people oriented business here. One of the
23 key things, I think, to our ongoing operation is
24 protecting the assets we have in this company,
25 employee must get paid.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 DIP financing, you don't know how much
3 this will do for the confidence of our employees in
4 terms of our ability to pay the payroll and checks
5 will be cleared.

6 THE COURT: Do you have enough money to
7 make the payroll tomorrow? That's what I'm not
8 understanding.

9 THE WITNESS: I'm sorry?

10 THE COURT: Is there enough money to
11 make the payroll tomorrow?

12 THE WITNESS: No.

13 THE COURT: How much more do you need?

14 THE WITNESS: I believe probably
15 \$500,000 that I can estimate minimal.

16 THE COURT: Okay.

17 Q Have there been any issues with respect
18 to vendors since the Chapter 11 petitions were filed
19 this morning?

20 A Absolutely.

21 Q What issues were those?

22 A Even before the filing this morning,
23 we, because of our declaration of default by the
24 banks of failure, default due to failing to pay
25 interest, we have our key vendors stopped making

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 delivering products for us, cancelling our products
3 and we couldn't service our customer properly.

4 Q The notices of default that you got
5 were from whom and when?

6 A We have gotten one from Chase on
7 Tuesday by fax and we have gotten one from Bank of
8 America on Tuesday by fax.

9 Q Tuesday, May 2nd?

10 A Correct.

11 Q Have there been any issues with respect
12 to vendors today as a result of the filings?

13 A Absolutely.

14 Q What issues were those?

15 A Well, we have more -- on the local
16 basis we have a lot of small mom and pop suppliers
17 that refuse to do business with us.

18 THE WITNESS: Your Honor, one of our
19 businesses is family entertainment centers which we
20 do, might sound unbelievable to you, but we do 40 to
21 50 birthday parties a day on Saturday and these are
22 parties for kids from anywhere from 3 to 12 years old
23 and the party could be ranging anywhere from 15 to 20
24 kids and food that we need to serve over next weekend
25 are mom and pop food suppliers.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 THE COURT: How much do you need to
3 spend on the money, for instance, for birthday
4 parties. You have to be more specific about the
5 expenses in order for me to determine that they are
6 truly emergencies; if you don't pay them you'll
7 suffer irreparable harm.

8 Q Mr. Chang, is it a matter of how much
9 you have to spend or a matter of whether the vendors
10 will do business with you because you don't have DIP
11 financing?

12 A I think a vendor will not do business
13 with us because they don't see the ability to
14 continue paying for them. With the DIP financing, we
15 can demonstrate for the vendors with \$15 million DIP
16 financing available on day one will ease their
17 concern in the future, near future that we have the
18 ability to pay the bills to them.

19 Q How do you think the approval of
20 interim DIP financing will affect vendor confidence?

21 A Absolutely.

22 Q Why?

23 A Because, you know, we have dealt with
24 vendors for the last eight months. Your Honor, we
25 really don't want to be here and the fact that we are

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 here because we couldn't work out the financing terms
3 with our collective banks, but during the eight
4 months while we're under very short stream in terms
5 of cash, we can see the vendors' deteriorating
6 relationship with us and not providing the product
7 for us to continue to do our business in the regular
8 way and without this DIP financing, vendors will stop
9 dealing with us and then I think our assets would
10 deteriorate very quickly.

11 Q Mr. Chang, if the DIP financing
12 proposal is not approved today and Magten and
13 Pacholder walk, do you believe that you're going to
14 be able to find alternative DIP financing in the
15 short term?

16 A No.

17 Q Is your business seasonal?

18 A Very seasonal.

19 Q Where are they now in terms of that?

20 A We're predominantly a golf company and
21 second and third quarter is typically our best
22 quarter. We're going to begin the middle second
23 quarter. That's when we need the most product and
24 services to maintain our facilities.

25 Q Now, if the DIP financing isn't

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 approved today, Magten walks and you can't get an
3 alternative over the short term, what impact will
4 that have on your season?

5 A First of all I can't make payroll
6 tomorrow. That's my immediate need. I have 4,000
7 employees over the country. That's my number one
8 objective here.

9 MR. SACKS: I have nothing further,
10 Your Honor.

11 THE COURT: Cross-examination.

12 MR. TODER: May I inquire, Your Honor?

13 THE COURT: Sure.

14

15 CROSS-EXAMINATION BY MR. TODER:

16

17 Q Mr. Chang, when did you enter into a
18 commitment letter agreement with Magten?

19 A I believe this was executed yesterday.

20 Q You were actually one of the DIP
21 lenders, is that correct?

22 A I was asked to be one.

23 Q Did you agree to serve in that
24 capacity?

25 A As a lender?

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 Q Yes.

3 A Yes.

4 Q Thank you.

5 MR. TODER: May I approach the witness,
6 Your Honor?

7 THE COURT: Sure.

8 Q I show you this document and ask if you
9 could identify the document.

10 A Yes.

11 Q What is it?

12 A This is the term sheet.

13 Q Is this actually the commitment letter,
14 as well?

15 A Correct.

16 MR. TODER: I'll offer that in
17 evidence, Your Honor.

18 THE COURT: Why don't we mark it first?

19 MR. TODER: I apologize. Mark this as
20 A.

21 THE COURT: Chase A.

22 Show it to counsel.

23 MR. TODER: I'll offer this document in
24 evidence.

25 MR. SACKS: No objection.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 THE COURT: Received.

3 (The above described document was
4 marked Chase Exhibit A in evidence,
5 as of this date.)

6 Q Mr. Chang, did I correctly understand
7 your testimony that unless the DIP lenders receive
8 \$500,000 within one day, i.e., today or tomorrow,
9 that they can walk?

10 A Correct.

11 Q I refer you to page 2 of the term sheet
12 and specifically to the commitment fee. Could you
13 read that paragraph?

14 A "That's \$250,000 and the commitment fee
15 shall be payable in cash upon delivery by" -- I'm
16 sorry my eyes aren't good -- "lender of this
17 commitment letter and execution thereof within, must
18 occur within five business days of the day of your
19 offer."

20 Q With regard to the next paragraph,
21 which is the closing fee, could you read that as
22 well?

23 A Sure. "\$250,000 closing fee shall be
24 deemed for all purposes to be fulfilled, earned and
25 nonrefundable by lenders upon closing of the DIP

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 facility shall be payable on closing."

3 Q So \$250,000 is going to be payable upon
4 the closing of the transaction; is that correct?

5 A Correct.

6 Q So if the closing of the transaction
7 and the DIP Order is not entered until next week, for
8 example, I take it the money is not due?

9 A Correct.

10 Q Okay.

11 THE COURT: When was the first \$250,000
12 due under the commitment letter?

13 MR. TODER: Which must occur, we know,
14 five business days of the date hereof.

15 THE COURT: What's the date of the
16 letter?

17 MR. TODER: May 2nd. It was executed
18 yesterday, Your Honor, May 3rd. He said it was
19 executed yesterday. That was the testimony of the
20 witness.

21 THE COURT: Okay.

22 Q You testified, did you not, that you
23 would be unable to meet payrolls tomorrow?

24 A Correct.

25 Q Did you execute an Affidavit in

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 connection with the filing of these petitions?

3 A Yes.

4 Q When was that executed?

5 A This was yesterday.

6 Q It's dated today and sworn to as of
7 today, I refer to page 27.

8 A I'm sorry, last night we were at the
9 time law firm very late.

10 Q No problem. I was just correcting you.
11 It's not meant in any harsh way. I refer you to page
12 4, paragraph 6 of your Affidavit executed today --

13 A Okay.

14 Q -- which says, in part, "According to
15 the Debtors' projections, which assumed the Debtors
16 can use cash collateral on the terms described
17 herein, there will not be a need, absent unforeseen
18 circumstances, to draw down on the postpetition
19 financing."

20 A That's what I put.

21 Q Is that accurate?

22 A That is correct. But also
23 unforeseen --

24 Q Could you just answer my question?

25 A Right.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 Q You were going to say there was some
3 unforeseen circumstance, go ahead explain.

4 A Because, like I said before, on the
5 cash flow report today, we distributed around here,
6 we fully anticipate we have \$2.8 million to be used
7 for this week and it was not available. That's
8 unforeseen.

9 Q The amount that you believe you have is
10 \$1.8 million?

11 A Roughly. That's what was estimated,
12 yes.

13 Q The payroll you said is approximately a
14 million dollars, is that right?

15 A That's due tomorrow, but don't
16 forget --

17 Q I understand, but is that correct?

18 A Correct.

19 Q With respect to the \$500,000 that you
20 had referred to as a disbursement in connection with
21 the commitment and closing fees, to the extent that's
22 not due tomorrow, then you would not be obligated to
23 pay that aspect; is that correct?

24 A Correct.

25 Q Is it your testimony, by the way, that

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 as of today, you're uncertain whether you have \$1.8
3 million? You don't know how much money you have?

4 A We have not swepted the money yet, so I
5 don't know how much money we have.

6 Q What has held you back from sweeping
7 the money?

8 A First of all, because we're uncertain
9 in terms of our banking accounts, we're uncertain
10 because really we have been trying to prepare for
11 this bankruptcy. I'm not just sure where we are in
12 terms of our sweeping.

13 Q Have you ever been in bankruptcy
14 before?

15 A No.

16 Q Are you an expert on bankruptcy?

17 A Absolutely not.

18 Q So, to the extent that you testified
19 about what you think the effect will be of bankruptcy
20 on your suppliers and such, that's based not on
21 knowledge of bankruptcy but just your own thoughts?

22 A It's based on my experience of the last
23 few days.

24 Q You testified that since the filing of
25 the bankruptcy, this morning, vendors mostly mom and

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 pops, have approached you with regard to concerns
3 that they have; is that accurate?

4 A I don't think so.

5 Q Did you speak to any vendors today as
6 to whether or not they were going to do business with
7 you going forward?

8 A I spoke to our managing office which
9 they had informed me these vendors have come and
10 talked about it.

11 Q Did you obtain specifics as to the
12 particular vendors and the amounts that they were
13 going to supply you?

14 A No, sir.

15 Q To the extent that the employees are
16 paid, I take it they won't be concerned about their
17 check. They would have the money in hand.

18 A If they were paid, they will be.

19 Q Have you taken any steps to advise them
20 of what you are going to be doing to assure them
21 going forward that there will be funds available?

22 A We have spoken to our employees and --
23 the managers not employees directly, but managers,
24 that we're lining up DIP financing, so we'll be on an
25 ongoing basis that we should be able to have.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 Q Is it your testimony that if in point
3 of fact the DIP loan is approved next Tuesday or
4 Wednesday, and not at 5 o'clock tonight, that your
5 business will be irreparably harmed?

6 A I do believe so.

7 Q Do you have any facts to support that?

8 A Well, I know because we're a cash
9 business. We're 4,000 employees around the country,
10 okay. Payroll paychecks, they're small paychecks,
11 adds up to a million dollars, so on, but the
12 paychecks is one the people depend on the most.

13 Q If your paychecks are made and the
14 employees are paid, then would you state and aver
15 that the employees are likely to be coming back on
16 Monday regardless of whether the DIP loan is approved
17 today or next Tuesday?

18 A If they were paid, I think, and they
19 have the confidence of will continue to be paid, I
20 think they will be there.

21 Q Okay.

22 MR. TODER: I have no further
23 questions.

24 THE COURT: Anyone else want to
25 question?

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2

3 CROSS-EXAMINATION BY MR. FLEMING:

4

5 Q Have you ever done business with Magten
6 or Pacholder before?

7 A No.

8 Q How did you find them?

9 A Through our law firm, Fried Frank.

10 Q Do you know if they found anyone else
11 who is a DIP lender other than those two?

12 A I have no knowledge.

13 Q So they may have been the only DIP
14 lenders that your attorneys talked to on your behalf?

15 A That's not correct. We spoke to other
16 DIP lenders.

17 Q Chase?

18 A Chase, one of them. We spoke to GMAC.
19 We spoke to GE Capital, Heller.

20 Q Has any vendor approached you or anyone
21 else at your companies stating that unless you
22 produce a DIP financing agreement they would not do
23 business with you?

24 A I'm sorry. I didn't understand your
25 question.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 Q Has anyone told you they wouldn't do
3 business with you unless you have a DIP financing
4 agreement approved by the Court?

5 A No.

6 Q If you don't have to pay that half
7 million dollars to Magten and Pacholder until after
8 Friday, you do have the money to make payroll
9 tomorrow?

10 A I'm not certain.

11 Q But are you prepared to say that you do
12 not have the money to meet payroll tomorrow?

13 A Based on what I was told, we don't have
14 sufficient to handle the entire million dollar
15 payroll.

16 THE COURT: You do or don't?

17 THE WITNESS: We don't.

18 Q You're about half a million dollars
19 short, correct?

20 A That's what I understand, yes.

21 Q Your projections included a half
22 million dollars payable to DIP lenders, correct?

23 A Correct.

24 Q If you don't have to pay that until
25 next week, you do have the half million dollars for

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 tomorrow, correct?

3 A Also we have other expenses that need
4 to be paid this week which checks are issued.

5 Q If you don't get your DIP financing
6 agreement approved, are there sites that you know
7 will be shut down as a result of the denial that the
8 DIP financing is --

9 A I'm not certain. I know there will be
10 impact on it.

11 Q Can you identify sites that you will
12 have to shut down between now and say next Tuesday or
13 Wednesday that you would have to shut down because
14 the DIP financing agreement was not approved?

15 A I'm not certain.

16 MR. FLEMING: I have nothing else.

17 THE COURT: Anyone else?

18

19 CROSS-EXAMINATION BY MR. MASUMOTO:

20

21 Q Mr. Chang, I just wanted some
22 clarification on the figures on the budget that was
23 produced. Under the column May 5th in the
24 disbursements for operations, there is
25 payroll-operations and I believe the figure is 1.7 --

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 A Right.

3 Q -- million. So, when you say there is
4 a million dollar payroll, you're saying part of it is
5 covered?

6 A No, no payroll basically, out of the
7 one point there is total of almost \$2 million payroll
8 and --

9 MR. SACKS: You need to talk up, not
10 have a private conversation.

11 A The \$2 million, roughly, payroll, a
12 million of it will hit tomorrow and the other million
13 dollars will be hit over Monday and Tuesday, when
14 checks are being presented.

15 Q So the million dollars you're talking
16 about is a million dollars would have to be available
17 immediately tomorrow?

18 A Correct.

19 Q The balance over the next couple of
20 days, Monday or Tuesday of next week?

21 A Correct.

22 Q With respect to, again in that same
23 column on May 5th, there is an entry for professional
24 fees, \$925,000.

25 A Correct.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 Q What's that for?

3 A That's paying our consultants Zolfo,
4 Cooper and law firm Fried Frank.

5 Q You were planning to pay them tomorrow?

6 A That's already paid.

7 THE COURT: I assume it's a retainer.

8 THE WITNESS: Retainer.

9 Q This was the prepetition retainer. You
10 don't need any further amounts to meet that \$925,000?

11 A Not for the consultants, no.

12 Q The line entry below that list
13 identified as "other operating expenses," there is
14 \$150,000 listed.

15 THE COURT: Why don't you show him or
16 give the witness an extra copy.

17 Q Under the \$925,000, there is an
18 operating expense figure --

19 A Right.

20 Q -- of \$150,000?

21 A Correct.

22 Q What types of expenses are included in
23 the other operating expenses?

24 A These are general supplies,
25 maintenance, repairs.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 Q Is there any reason why -- I'm looking
3 across that same line -- on the first column, April
4 28th you have \$628,000, May 5th is \$150,000, may 12th
5 \$549,000 and going down I see no other figure close
6 to \$150,000, why is it 150,000?

7 A Because we don't have the cash to pay.

8 Q So, in other words, you're paying less
9 than the full amount of your expenses due for
10 tomorrow?

11 A This week.

12 Q What expenses aren't you paying that
13 you would normally pay if you had the cash available?

14 A These are supplies, contracts,
15 lawnmower.

16 MR. SACKS: Keep your voice up. I
17 can't hear you, Mr. Chang.

18 A These are supplies, like typically
19 maintenance contracts, could be the food vendors.

20 Q So, again, my question, is your
21 inability to pay more than \$150,000, does that impact
22 upon the revenue that you're collecting? Would you
23 be collecting greater revenues if you were able to
24 spend the \$500,000 that seems to be about the
25 average?

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 A Absolutely, it would impact our revenue
3 the following week, not this week.

4 Q So that will be the revenue for May
5 12th?

6 A Right.

7 Q To what extent?

8 A Hard to estimate.

9 Q I guess the reason I'm questioning is
10 that your revenue stream looking at receipts, 2.8 for
11 April 28th, 2.8 for May 5th, 2.761 for May 12th, that
12 would seem to be a reduction of \$40,000. Is that the
13 effect of not spending \$500,000, not collecting
14 \$40,000 in receipts?

15 A No.

16 Q But you're not able to quantify the
17 amount?

18 A No.

19 Q I note that on May 19th you are again
20 projecting receipts of \$2.7 million?

21 A Right.

22 Q That's after the prior week expense of
23 \$549,000?

24 A Correct.

25 Q So I guess I'm still not able to

DOYLE REPORTING, INC. - 212-364-9516

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 the country Thursday or Friday. Today is Thursday,
3 Friday. Usually we know what our cash available
4 turned over the country.

5 THE COURT: When will you know, for
6 instance, the result of the Thursday sweep?

7 THE WITNESS: Typically we'll sweep --
8 should be about now, yes.

9 THE COURT: When will you know? When
10 will you know how much you have?

11 THE WITNESS: By the end of this
12 afternoon. One of the reason why we said we know
13 it's going to be short because we knew some of the
14 receipts have been garnished early on this week by
15 the two banks by a million dollars.

16 THE COURT: I don't understand that.
17 Can you explain that to me?

18 MR. SACKS: Accounts that the Debtors
19 would ordinarily sweep and then prepetition put it
20 into a Chase collection account and then reborrow,
21 instead of sweeping it and now that they're in
22 Chapter 11 not putting it into that account but
23 holding it pending the cash collateral hearing since
24 they are in default, the banks, the deposits, have
25 taken it and reduced their loan balance, to the tune

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 of about a million dollars.

3 THE COURT: They basically set off?

4 MR. SACKS: Yes.

5 THE WITNESS: Right.

6 MR. MASUMOTO: Your Honor, I have no
7 further questions.

8 MR. TODER: Your Honor, would you
9 indulge me just one or two more questions?

10 THE COURT: You might -- we will wait
11 until he's done and then you can redirect.

12

13 CONTINUED CROSS-EXAMINATION BY MR. TODER:

14

15 Q Your financial advisor?

16 A Zolfo, Cooper.

17 Q Did they assist in the preparation of
18 this document, which is Exhibit 1?

19 A Yes.

20 Q Are they familiar with that document?

21 A Yes.

22 MR. TODER: No further questions, Your
23 Honor.

24 THE COURT: Okay, go ahead.

25 MR. SACKS: Your Honor, first, I

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 haven't offered Exhibit 1 yet. I'd like to.

3 THE COURT: Any objection? Hearing
4 none, it's received.

5 (The above described document was
6 marked Debtors' Exhibit 1 in evidence,
7 as of this date.)

8

9 REDIRECT EXAMINATION BY MR. SACKS:

10

11 Q Mr. Chang, did you hear about the \$1
12 million sweep by the banks from your accounts after
13 you signed the Affidavit last night at Fried Frank?

14 A Yes.

15 Q Do you still have Chase Exhibit A, the
16 letter agreement? I'd like to direct your attention
17 to two portions of it that Mr. Toder didn't direct
18 your attention to. The first page down towards the
19 bottom there is a sentence that begins "in addition,"
20 do you see that sentence?

21 A Yes.

22 Q "In addition the following does not
23 constitute a commitment on the part of the lenders to
24 make any loan or other financial accommodation to the
25 Debtors or any of them unless and until this

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 commitment letter is executed by the Debtors."

3 A Yes.

4 Q Was that your understanding when you
5 first saw this letter?

6 A Right.

7 Q Now, also I'd like to direct your
8 attention to the last page, the first full paragraph.
9 There is a sentence there that says "If the terms and
10 conditions of this commitment letter are acceptable
11 to you, would you please execute and return the
12 attached copy hereof, together with your
13 nonrefundable commitment fee of \$250,000, by wire
14 transfer of federal funds to the accounts and in the
15 amounts set forth on Schedule 2 annexed hereto."

16 A Right.

17 Q Did you send that \$250,000 wire
18 completed prior to the Chapter 11 filing?

19 A No.

20 Q So you're not in compliance with that
21 sentence?

22 A No.

23 Q Is that your concern, as expressed on
24 your direct, that if you are not able to pay that
25 fee, plus the fee on the interim approval of the DIP

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 loan, that Magten and Pacholder will walk?

3 A Right.

4 Q Now, one last thing. You mentioned, I
5 think, that there had been discussions with Chase, GE
6 Capital, Heller and GMAC. Were there also
7 discussions with CIT concerning a DIP loan?

8 A That's right, I forgot CIT.

9 MR. SACKS: Nothing further.

10 THE COURT: Any other witnesses?

11 MR. SACKS: No, Your Honor.

12 THE COURT: Do you have any witnesses?

13 MR. TODER: May I have one second, Your
14 Honor?

15 THE COURT: Sure.

16 MR. SACKS: May Mr. Chang step down,
17 Judge?

18 THE COURT: Yes.

19 THE WITNESS: Thank you.

20 MR. TODER: No further witnesses, Your
21 Honor.

22 THE COURT: Okay. The evidence sounds
23 to me they're not going to be able to make payroll.
24 Regardless of what he said in his Affidavit.

25 MR. TODER: Would Your Honor allow a

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 little argument on that?

3 THE COURT: Sure.

4 MR. TODER: It strikes me that there is
5 a real issue of credibility as to what he says and
6 doesn't say and what he does know and doesn't know.
7 On the one hand, he says he stopped sweeping and
8 he'll know in a little bit what Thursday sweeps would
9 be.

10 Put aside the fact that it's
11 extraordinary that the CEO of the business doesn't
12 have a sense of what cash he has when he's in
13 bankruptcy and knows this is a critical issue. Put
14 aside the fact that he says he didn't have a problem
15 and is not going to have a problem borrowing 18
16 months for this entire facility. What it really
17 boils down to, I would suggest, were one to put it to
18 the test, if you will, what's going to happen, the
19 money's going to be there. I don't have the
20 slightest scintilla of a doubt about that.

21 THE COURT: Are you willing to
22 guarantee that?

23 MR. TODER: From me a guarantee is
24 worthless.

25 THE COURT: Not you personally, I meant

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 Chase.

3 MR. TODER: No, I don't think the
4 burden is on us. What you've got is testimony all
5 over the board on these various issues and in point
6 of fact, it's not he who put together and did this
7 analysis.

8 He's just testifying about what he's
9 heard from various spots and said he didn't know.
10 That's not the testimony of proof of irreparable
11 harm. That has to be demonstrated by clear and
12 convincing.

13 THE COURT: I have evidence before me
14 they'll need \$2 million to make payroll by Monday. A
15 million dollars tomorrow and a million dollars Monday
16 or Tuesday. Nobody has refuted that. The only
17 question is how much money they have and how much
18 money they'll have by Monday.

19 MR. TODER: It's the weekend. The
20 question is whether they have it today. It's
21 perfectly clear we can all take judicial notice of
22 the fact that golf facilities do best on the weekend.

23 THE COURT: That goes into the next
24 week.

25 MR. TODER: What bothers me most about

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 this, Your Honor, is that we have to put a premium on
3 people coming up with persuasive credible testimony,
4 not based on "I think, I hear," but what you heard
5 was exactly that and that's not appropriate for
6 irreparable standards.

7 THE COURT: Would you agree the Debtor
8 would be irreparably harmed if he couldn't meet
9 payroll?

10 MR. TODER: That's why we went along
11 with use of cash collateral. We understood this not
12 to be a problem, Your Honor.

13 THE COURT: My notes indicate that the
14 witness testified that the Debtor has \$1.8 million
15 and will have \$1.8 million.

16 MR. SACKS: What the witness said, I
17 think, Your Honor, instead of getting 2.8 in receipts
18 this week, they'll get 1.8 in receipts this week
19 because a million dollars has been lost to Bank of
20 America and Chase because they paid down their loans;
21 so that the estimate that was prepared that shows
22 week ending May 5th starting with receipts of \$2.8
23 million is, in his estimate, based on what he learned
24 this morning had been swept out of those accounts by
25 the banks reducing their loans, it is down by a

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 million dollars. So, starting -- before he even
3 starts to sweep, he's off by a million dollars.

4 THE COURT: What are the disputed
5 issues? Debtor has 1.8. He needs 2.

6 MR. TODER: No. He has 1.8 for the
7 week ending May 5th.

8 THE COURT: Right.

9 MR. SACKS: The ending cash balance was
10 supposed to be \$46,000.

11 THE COURT: Let me hear Mr. Toder.

12 MR. TODER: My point, Your Honor, is
13 this. Saturday and Sunday is a tremendous amount of
14 the business. I don't know the percentage, but we
15 can make our assumptions or ask the witness what
16 percentage of the week's receipts are received in
17 cash on Saturday and Sunday.

18 What I'm suggesting to you is we've got
19 \$1.8 million. The key item here is payroll, pure and
20 simple. We don't need to have a big sweep on
21 Saturday. All they do is what everybody does, is
22 they have an armored truck come and pick up at the
23 various places. That's what I'm familiar with, what
24 they used to do at retail establishments.

25 MR. SACKS: Just not what happens.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 MR. TODER: In point of fact, what I'm
3 suggesting, even if there was 1.8 only, instead of
4 2.8, and I don't, of course, know that to be the case
5 because Chase does not set off a million dollars,
6 that I know for sure --

7 THE COURT: Chase wasn't accused of
8 doing it.

9 MR. TODER: Chase set off some, there
10 is no question, but it's not that magnitude, that's
11 the point. Even if that was the case, it's
12 inconceivable for the week ending May 12th which
13 would be on a Tuesday, \$2.76 million is coming in.
14 One could ask, if one wanted to, what percentage of
15 that is based on Saturday and Sunday revenues so we
16 would be able to fund a Monday payroll, irrespective
17 of anything else, when we're almost there on a 1.8
18 for the \$2 million. That's the point I'm making,
19 Your Honor. I didn't think it was quite
20 controvertible.

21 MR. SACKS: May I be heard, Your Honor?

22 THE COURT: Sure.

23 MR. SACKS: The projected ending cash
24 balance before this million dollars was swept away
25 was \$46,000. Subtract a million dollars from that

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 you're basically a million in the hole. Most of the
3 expenses for the week ending May 5th have already
4 been incurred and it's -- God willing it doesn't rain
5 this weekend, but I don't think we should put the
6 success --

7 THE COURT: It's going to rain
8 somewhere and be nice in other places because you
9 have places all over the country.

10 MR. SACKS: I think what was very clear
11 from Mr. Chang, although he didn't know the exact
12 amount that will be swept today, which likely could
13 get worse than get better, he knows he's out a
14 million dollars from his projection already and he
15 knows he has a DIP line available today and doesn't
16 know if it will be available on Monday.

17 THE COURT: When will you know how much
18 cash you will have at the end of the weekend?

19 MR. SACKS: Tuesday morning.

20 THE COURT: Tell you what concerns me.
21 Tell me you only need \$500,000 and that's all you may
22 ever need because the likelihood of setoffs of
23 prepetition bank loans against postpetition receipts,
24 I think is unlikely. What I'm hearing is you're
25 going to have to borrow \$500,000 and to do that

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 you're going to have to pay \$500,000.

3 MR. SACKS: That's also to keep the
4 assurance of having the line at all, Judge. That's
5 not a small point. There was nobody out there to
6 lend to this company before Magten and Pacholder came
7 along and it's not a drive equal point.

8 The fact of the matter is that we went
9 to five other people, nobody offered us anything
10 close to acceptable or close to take us through the
11 winter as opposed to the summer when we don't need
12 them, until Magten and Pacholder came along, and I
13 don't think it's appropriate to risk on Monday or
14 Tuesday waking up and having them say "Forget it."

15 MR. TODER: May I consult with my
16 client with respect to the alternate DIP point?

17 THE COURT: Why don't we take a recess.

18 MR. TODER: Thanks.

19 (Whereupon, at this point in the
20 proceedings there was a recess, after which
21 the proceedings continued as follows:)

22 THE COURT: We had a conference in
23 chambers and what I'm going to do is adjourn this
24 hearing until tomorrow morning at 10:00. Between now
25 and 10:00, Chase has agreed to let the Debtor use

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 cash collateral.

3 I will ask you to explain the
4 conditions so everybody has agreed on what the
5 conditions are and then we'll reconvene tomorrow
6 morning and continue the hearing, if necessary,
7 additional evidence if necessary.

8 MR. TODER: As adequate protection for
9 the allowance of the use of cash collateral, Chase
10 would receive a replacement lien on all assets of the
11 Debtors subject only to it being to the extent of
12 diminution in the value of collateral that it has a
13 perfected lien on and provided further that in the
14 event that this Court approves a DIP loan, then the
15 liens, replacement liens which were granted to Chase
16 shall be automatically reduced in priority such that
17 they will be immediately junior to the liens being
18 granted to the DIP lender.

19 THE COURT: I think you were a little
20 generous. You didn't mean you'd be subordinated with
21 respect to property in which you had perfected liens.

22

23 MR. TODER: Of course not. This is not
24 a priming DIP. I apologize, thank you, Your Honor.

25 MR. FIRST: The stuff as to which you

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 had a -- first you'd have replacement of the assets
3 of the Debtors as to which on a pre petition basis
4 you had a first and valid perfected lien. As to
5 which you had a first perfected lien, you're asking
6 for granting of replacement lien on those assets and
7 with respect to assets as to which you had a
8 subordinated lien, you're asking for replacement lien
9 to the extent of that priority and with respect to
10 the assets as to which you are unperfected you'll
11 only get replacement lien to the effect they were
12 values prepetition.

13 THE COURT: To the extent that you have
14 a valid lien, you get a replacement lien with the
15 same priority. To the extent you didn't have a lien
16 in properly, I guess you're coming in at whatever
17 position exists the next position, but if there is
18 another DIP lender or DIP loan, you will drop down
19 below that DIP loan on that property.

20 MR. TODER: I think that is correct.

21 MR. FIRST: On all assets.

22 THE COURT: He's not agreeing to be
23 primed on stuff on which he doesn't have a lien.

24 MR. SCHELER: Brad Scheler from Fried
25 Frank. Mr. Toder, we're providing these protections

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 and these replacement liens for the use and
3 diminution of cash collateral. It doesn't address
4 the entirety of your collateral position, because
5 that's not up before the Court.

6 MR. TODER: Wait, Your Honor. That's a
7 fair point because rather than necessitate the making
8 of needless motions, we clearly have collateral other
9 than cash collateral, like real estate and indeed the
10 papers that --

11 THE COURT: You want a 363(e) --

12 MR. TODER: Exactly. The papers put in
13 was granting replacement liens with respect to more
14 than cash collateral, which is no different than what
15 you had in your Order.

16 MR. SCHELER: Your Honor, we did a
17 narrow protection. This is not about our Order.
18 This certainly isn't our transaction. All we're
19 doing tonight is bridging the use of cash collateral
20 until tomorrow. I respectfully submit we should take
21 all this up and protect them on the use of cash
22 collateral.

23 THE COURT: Between now and 10:00
24 tomorrow morning it's not likely that they'll blow a
25 hole in one of your leaseholds.

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 MR. TODER: I don't disagree. It's a
3 matter of principle. The Order they were submitting
4 to this Court provided, Your Honor, for it to be --

5 THE COURT: Let me hear, please. Go
6 ahead.

7 MR. TODER: The Order that was being
8 submitted by counsel for the Debtor today provided
9 that it was going to grant adequate protection in the
10 form of replacement liens with regard not just to
11 cash collateral but all collateral including cash
12 collateral.

13 THE COURT: Where are you referring?

14 MR. TODER: Paragraph 27, Your Honor.
15 Page 18. Last line, carried over to the next line.

16 THE COURT: Page 18?

17 MR. TODER: Yes, sir.

18 MR. TODER: Paragraph 27, I think. May
19 I approach the bench, Your Honor?

20 THE COURT: I'm looking at an interim
21 Order. It does say it's not limited to cash
22 collateral in the proposed Order.

23 MR. SACKS: It has limitations on the
24 extent of the liens further in the paragraph.

25 Only applied to the same type of

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 property.

3 THE COURT: I don't understand what the
4 problem is. If you do something to their collateral,
5 then they have a replacement lien.

6 MR. SCHELER: Your Honor, if this was
7 easy, it wouldn't be -- in the context of an entire
8 financing package, there is no question, no question
9 whatsoever, that Chase should be protected fully and
10 completely.

11 THE COURT: You're just not willing to
12 do it.

13 MR. SCHELER: Between now and tomorrow
14 when we're cobbling together an interim arrangement
15 and none of us are getting what we want.

16 We're taking the risk of not being able
17 to announce tonight we have a Debtor in Possession
18 facility in place. It may not happen tomorrow. It
19 seems to me Mr. Toder's client, in similar vein,
20 should understand not much is going to happen between
21 now and 10:00 tomorrow. We're adjourning over night.

22 So all I'm suggesting is that since
23 there are certain obligations that have to be met, I
24 will assure Mr. Toder and his client when we get to
25 the point where we hammer out an Order, it will be

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.
2 retro to the first day of the case with the attention
3 it may get.

4 I want, in the abstract on the fly, I'm
5 concerned that we'll have created an impediment to
6 what our Debtor in Possession lender may do and I
7 don't want to do that. So, Your Honor, to get us out
8 of here, I have no problem.

9 THE COURT: All right.

10 MR. SCHELER: Good. I'm done. One
11 other thing, I must inform everybody that Mr. Gung
12 had gone out in the hall to make some phone calls to
13 set into motion getting information that the Judge
14 requested in chambers. One of the things that he
15 learned in that is that it appears the \$250,000 wire
16 yesterday went through. It's no longer in our
17 account and has gone to the proposed DIP lenders.
18 They don't know if it's arrived, but it's no longer
19 in the account.

20 MR. FIRST: No longer under the control
21 of the Debtor.

22 MR. SACKS: It was wired yesterday
23 after the close of business and since it was
24 something that could be recalled and wouldn't go
25 through until this morning after it was filed, we

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 told the Debtors to recall it. Although we attempted
3 to recall it, it did not get recalled and it's gone
4 through. We just learned that.

5 THE COURT: We can deal with that
6 tomorrow.

7 MR. SACKS: Since we had said the
8 contrary, we wanted to let you know that.

9 MR. TODER: I appreciate that. I would
10 love to know what account it was, whether it was
11 Chase or some other account. Putting that aside, I
12 find counsel's suggestion unattractive and I would
13 ask the Court to rule on that.

14 THE COURT: With respect to the use of
15 cash collateral, you get a lien to the same extent
16 that you have a lien. If you're getting a
17 replacement lien on property you don't have lien on,
18 you agree to get it wherever you line up, whether
19 first, second or third, depending on the pre existing
20 liens and if there is a different DIP financier on
21 that property, you'll drop down to accommodate the
22 DIP financier.

23 I'll deal with the liens on the other
24 property. Mr. Scheler is right, it's late to start
25 dealing with this issue. It's just been raised and I

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2 haven't asked you to put a motion. I'd be inclined
3 to grant them protection in the event you want to use
4 their collateral.

5 I will see you here tomorrow morning
6 and we can talk about the \$250,000 then.

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

DOYLE REPORTING, INC. - 212-364-9516

1 RANDALL'S ISLAND FAMILY GOLF CENTERS, INC.

2

I_N_D_E_X

3

WITNESS	DIRECT	CROSS	REDIRECT	RECROSS
_____	_____	_____	_____	_____
D. Chang	41	53	71	

5

6

E_X_H_I_B_I_T_S

7

DEBTORS '	FOR_IDENT.	IN_EVID.
_____	_____	_____
1 Projections	25	72

10

CHASE

11

A Letter Agreement	55
--------------------	----

12

13

14

15

16

17

18

19

20

21

22

23

24

25

DOYLE REPORTING, INC. - 212-364-9516

C E R T I F I C A T E

- - - - -

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, HOPE LYNN MENAKER, a Shorthand
Reporter and Notary Public within and for
the State of New York, do hereby certify:

I reported the proceedings in the
within-entitled matter, and that the within
transcript is a true record of such
proceedings.

I further certify that I am not
related, by blood or marriage, to any of
the parties in this matter and that I am
in no way interested in the outcome of this
matter.

IN WITNESS WHEREOF, I have hereunto
set my hand this _____day of _____,
2000.

HOPE LYNN MENAKER